

Message Text

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ACTION PM-07

INFO OCT-01 EA-11 ISO-00 SS-20 DODE-00 NSC-10 CIAE-00

INR-10 NSAE-00 RSC-01 MC-02 AID-20 IGA-02 L-03 OMB-01

TRSE-00 EB-11 DRC-01 /100 W
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R 310925Z JAN 74

FM AMEMBASSY BANGKOK

TO SECSTATE WASHDC 0222

INFO SECDEF WASHDC

C O N F I D E N T I A L BANGKOK 1702

E.O. 11652: GDS

TAGS: MASS, TH

SUBJECT: US SECURITY ASSISTANCE

REF: STATE 011348

1. REGARDING YOUR QUERIES IN REFTEL, WE AND MACTHAI HAVE DETERMINED THAT THERE ARE NO LEGAL PROHIBITIONS AGAINST RTG BORROWING ABROAD FOR DEFENSE EQUIPMENT PURCHASES, BUT IN PRACTICE SPECIFIC AUTHORIZATION FOR TRANSACTION WOULD BE REQUIRED. FURTHER, ALTHOUGH THAILAND WILL HAVE A NEW CONSTITUTION IN THE NEAR FUTURE AND THE PRESENT CARETAKER GOVERNMENT WILL BE REPLACED FOLLOWING ELECTIONS THIS YEAR, WE DO NOT FORESEE RTG ENACTING ANY DIRECT PROHIBITION AGAINST USING FMS CREDITS. NEVERTHELESS, THE RTG MINISTRY OF FINANCE IS RELUCTANT TO USE FOREIGN LOANS FOR DEFENSE PURPOSES AND TO INCREASE THE RTG'S DEBT BURDEN.

2. IN REGARD TO RTG'S CAPABILITY AND WILLINGNESS TO ASSUME ADDED FINANCIAL BURDENS, BECAUSE OF THE RELATIVE STRENGTH AND STABILITY OF THE THAI ECONOMY AND THE LARGE FOREIGN EXCHANGE RESERVE POSITION, THE RTG COULD ABSORB MORE OF THEIR DEFENSE COSTS INCLUDING FOREIGN PURCHASES. WE BELIEVE THE PRESENT ACTIVE OR PENDING
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FMS CASH CASES FOR FY 73 AND 74 (VALUED AT APPROXIMATELY 37 MILLION DOLLARS) AND OTHER FOREIGN PROCUREMENT ARE

RECENT EVIDENCE OF THIS. THIS SITUATION COULD CHANGE SIGNIFICANTLY IF THE GOVERNMENT TO BE ELECTED REDUCES DEFENSE EXPENDITURES, IF THE RTG REFUSES TO EXPAND ITS SOURCES OF DOMESTIC INCOME, OR IF THAILAND'S FOREIGN EXCHANGE RESERVES WERE TO DECLINE SHARPLY. THE LATTER MIGHT OCCUR IF THE NET EARNINGS OF THAILAND EXPORTS WERE TO DECLINE. HE PROSPECTS FOR AN INCREASE IN THAILAND'S EXPORTS IN 1974, HOWEVER, ARE GOOD.

3. IN DISCUSSIONS OF THIS SUBJECT WITH OFFICERS OF THE ROYAL THAI ARMED FORCES, THEY HAVE EXPRESSED HYPOTHETICAL INTEREST IN THE USE OF FMS CREDIT BUT THEY HAVE NOT SOUGHT SPECIFIC CREDIT PURCHASES. THEY HAVE ASKED QUESTIONS CONCERNING AMOUNTS AVAILABLE, INTEREST RATES, AND ABOUT THE LOAN PERIOD. IN GENERAL, THEY TEND TO REGARD FMS PROCEDURES AS COMPLICATED AND CONFUSING. AS A RESULT OF THESE DISCUSSIONS AND IN VIEW OF THE PRESENT INTERNAL POLITICAL SITUATION AND THE FACT THAT SOME RTG SECURITY BUDGET ADJUSTMENTS ARE BEING CONTEMPLATED, WE DEDUCE THAT THE RTARF WILL NOT REQUEST FMS CREDIT IN FY 74 UNLESS SO DIRECTED BY THE GOVERNMENT.

4. ALTHOUGH WE DO NOT CONSIDER IT LIKELY THAT THE RTG WILL USE FMS CREDITS DURING FY 74, WE WOULD LIKE TO RETAIN OPTION TO DISCUSS FY 74 FMS CREDIT WITH RTARF AFTER WE HAVE APPRISED THEM OF FY 74 MAP LEVELS. INFORMATION AVAILABLE TO US SO FAR INDICATES THAT THE CONTEMPLATED LEVEL OF FY 74 MAP WILL PRECLUDE MAP FUNDING OF SEVERAL INVESTMENT ATTRITION ITEMS PREVIOUSLY PLANNED AND CONSIDERED HIGH PRIORITY BY THE RTARF. THE RTARF MIGHT TRY TO GET AUTHORITY FROM THE RTG FOR USE OF FMS CREDIT FOR THESE NEEDS.

5. REQUESTS FOR FMS CREDIT IN FY 75, HOWEVER, ARE DISTINCTLY POSSIBLE AS LIKELY RTARF BUDGETARY SQUEEZE IN FY 75 MAY LEAD THAI MILITARY LEADERS TO SEEK RTG APPROVAL OF FOREIGN CREDIT FOR ESSENTIAL PURCHASES. WE WILL DISCUSS THE POSSIBLE AVAILABILITY OF FMS CREDITS FOR FY 75 WITH RTG OFFICIALS AND ATTEMPT TO ASCERTAIN FURTHER THEIR INTENTIONS.
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